

# ANNUAL REPORT

ON THE PERFORMANCE OF

# KAROO HOOGLAND MUNICIPALITY

FOR THE 2009/10 FINANCIAL YEAR

IN TERMS OF

SECTION 46 OF THE LOCAL GOVERNMENT MUNICIPAL SYSTEMS ACT, 2000

AND

SECTION 121 OF THE MUNICIPAL FINANCIAL MANAGEMENT ACT, 2003

JANUARY 2011

# ANNUAL REPORT

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**Mr JJ de Wee**

Mayor for Karoo Hoogland Municipality

It is my pleasure to submit the Annual Report of Karoo Hoogland Municipality for the financial year 1 July 2009 to 30 June 2010.

I am satisfied that the report seeks to portray the activities of the municipality during the financial year under review in terms of legislative requirements.

**Louis Nothnagel**

Municipal Manager

18 January 2011

## ACRONYMS AND ABBREVIATIONS

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AG	Auditor General
CDW	Community Development Worker
CFO	Chief Financial Officer
COGTA	Co-operative Governance, Human Settlements and Traditional Affairs
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FBS	Free basic services
IDP	Integrated Development Plan
KHM	Karoo Hoogland Municipality
KPA	Key Performance Area
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
MDB	Municipal Demarcation Board
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant
PMS	Performance Management System
RSDF	Rural Spatial Development Framework
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan
WSDP	Water Services Development Plan
WSP	Workplace Skills Plan

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I can without any doubt report that significant progress was made during the 2009/10 financial year in addressing the problems which originated during 2006/07 and which resulted in the compilation of a Recovery Plan during the latter part of 2007/08 (May 2008).

The achievements during the 2009/10 financial year must be evaluated against the remedial actions which were put in place early in 2008 and this has been dealt with in detail in the previous Annual report for the 2008/09 financial year.

It is evident that my municipality has taken a giant leap in its goal to obtain a clean audit report. Proof for this statement is obvious in the contents of this report.

**JAN J. DE WEE (MAYOR)**

18 January 2011

## OVERVIEW BY THE MUNICIPAL MANAGER

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The report of the Auditor General on the Financial Statements of a Municipality is the most important criteria to determine the viability and the credit worthiness of a public institution.

Up to 2008/09 Karoo Hoogland Municipality has received disclaimer opinions from the AG for each financial year since the municipality was established in December 2000.

In the previous Annual Report (08/09) mention was made in detail of the recovery initiatives of Council which commenced early 2008. During the 09/10 financial year a committed effort was undertaken to address the various issues which resulted in the disclaimer opinion of the AG for our municipality.

The National Turn Around Strategy which was proclaimed by Parliament during December 2009 was a blueprint of the recovery plan of my Council and the support which we received from different spheres of Government in terms of the NTAS strengthened our hands to obtain our goals.

The Qualified Opinion of the AG(only 2 qualifications)on the 2009/10 Financial Statements is proof that we stood up against the challenges which faced us and that we are without doubt on track with what we envisage for Local Government in our municipality.

I am satisfied that this report is a true and just reflection of the status of municipal related matters in Karoo Hoogland Municipality during 2009/10.

Louis Nothnagel

17 January 2011

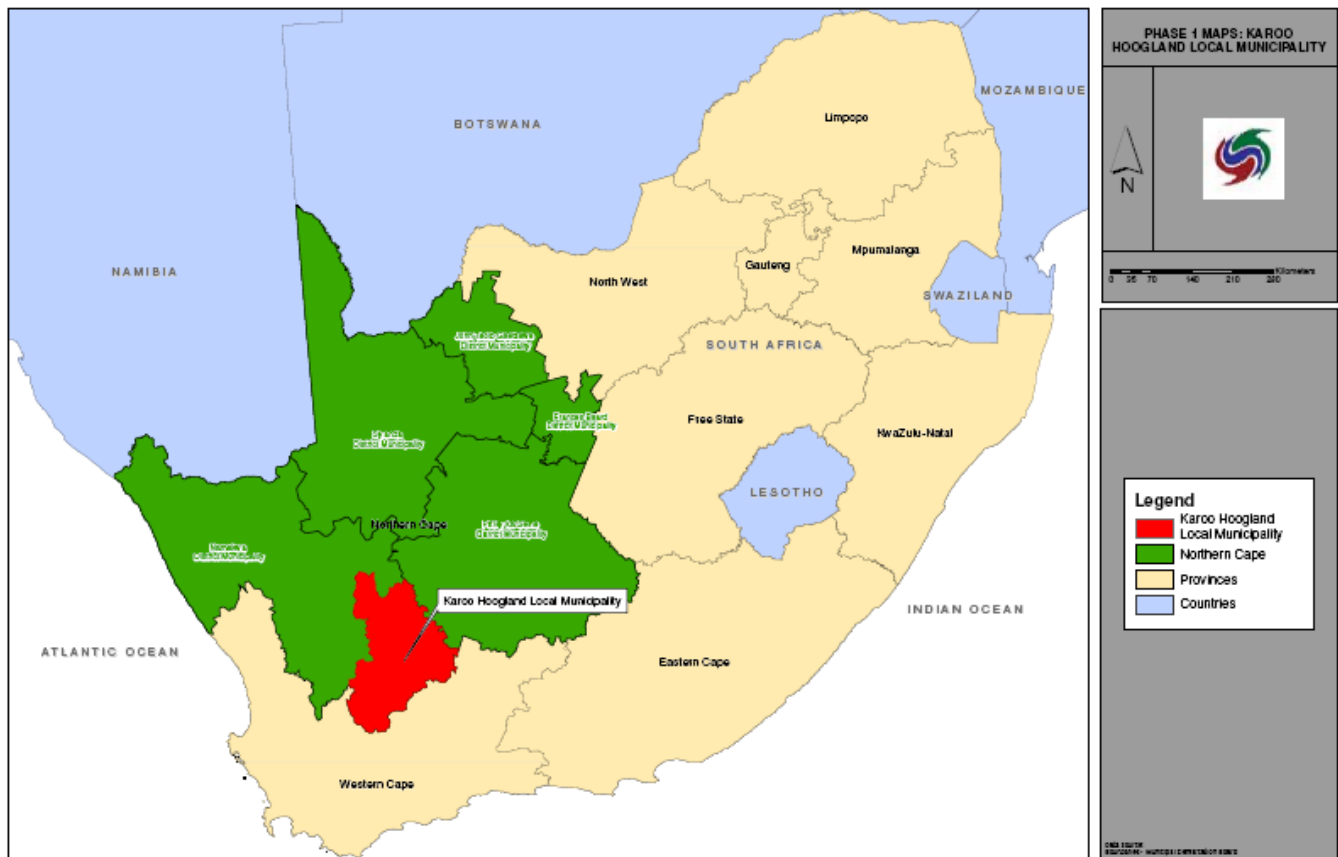
# CHAPTER 1

## BACKGROUND OF THE MUNICIPALITY

Karoo Hoogland Municipality is an amalgamation of the three towns of Fraserburg, Sutherland and Williston as well as the vast surrounding rural area.

The municipality comprises an area of approximately 34 000 km<sup>2</sup> and falls within the area of jurisdiction of Namakwa District Municipality.

The following map demonstrates the location of the municipal area within a provincial and national context.



Karoo Hoogland Municipality is one of six local municipalities falling under the Namakwa District of the Northern Cape Province. The majority of the population (77.3%) resides in urban areas while the balance (22.7%) is in rural areas.

The total population is approximately 10 500 and the total number of households serviced by the municipality is approximately 3 000. This excludes the farms in the rural area.

Karoo Hoogland is a relatively large municipality in geographic terms, but has a corresponding low population density of 2.8 people per square kilometre. The municipality has experienced a steady decline in population and number of households over the ten-year period from 1996-2007, with the population declining by 14% over that period and households decreasing by 8.8%.

This has largely been attributed to the lack of economic opportunities in the region and the drift of the population to areas where they have better prospects of finding a job.

The municipality is demarcated into four wards. The municipal council has seven Councillors of which four are ward representatives and three hold proportional seats.

*The vision of council is to ensure an environment conducive for economic growth with special focus on poverty alleviation and job creation.*



## OVERVIEW OF THE PERFORMANCE IN PREVIOUS FINANCIAL YEAR 2008/09

The Annual Report on the performance of Karoo Hoogland Municipality for the 2008/09 financial year was compiled and submitted to Council during January 2010.

It was evident in the 2008/09 Annual Report that the main focus of Council was on the implementation of a Recovery Plan in order to address the wide range of challenges which were faced.

In the broader context and specifically benchmarked against the situation in KHM during 2006/07 and 2007/08, it can positively be stated that the 2008/09 year was a turn-around for KHM and that good progress was made in addressing the wide range and very serious problems which were encountered.

The two main administrative challenges, which were still faced at the end of the 2008/09 year, were:

- To convert to GAMAP/GRAP and the compilation of an asset register; and
- To implement an internal audit function.

The AG still expressed a Disclaimer Opinion on the Financial Statements of KHM as at 30 June 2009, however, it was evident in the report of the AG that improvement have been achieved. The number of issues which resulted in the Disclaimer Opinion has decreased to two (2) and the number of other matters to be addressed has decreased drastically from those in the previous financial year.

The two (2) disclaimers refers to the format of the Financial Statements which does not conform to the new GRAP format and the lack of an Internal Audit Function.

# CHAPTER 2

## MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

### CAPACITY TO PERFORM MUNICIPAL FUNCTIONS

The Municipal Demarcation Board annually undertakes capacity assessments of all local authorities in South Africa and makes recommendations to the Provincial MEC of Local Government with regard to the capacity of each municipality to perform its functions in terms of the Municipal Structures Act.

The powers and functions of KHM were not adjusted for the year under review.

The municipality still performs 21 functions which is more than the average of 20 in our province.

### POLITICAL PROFILE

The seven councillors represent the following political parties:

- |                               |   |      |                 |
|-------------------------------|---|------|-----------------|
| ○ Councillor JJ De Wee        | ~ | ANC  | (Mayor/Speaker) |
| ○ Councillor (Ms) JK Malho    | ~ | ANC  |                 |
| ○ Councillor CD Malan         | ~ | ANC  |                 |
| ○ Councillor JJJ Storm        | ~ | NPP  |                 |
| ○ Councillor JJ van der Colff | ~ | DA   |                 |
| ○ Councillor (Ms) MM van Wyk  | ~ | DA   |                 |
| ○ Councillor SJC Theron       | ~ | ACDP |                 |

In terms of Section 9 of the Local Government: Municipal Structures Act (No. 117 of 1998) KHM is a Category B municipality with a plenary executive system combined with a ward participatory system.

## STAFFING AND MANAGEMENT PROFILE

- The total staff complement as at 30 June 2010 was 107 employees. Hereunder is an extract from the Employment Equity Plan which reflects the workforce profile:

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	1	0	0	0	0	0	0	1
Senior management	0	1	0	2	0	0	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	6	0	1	0	8	0	6	0	0	21
Semi-skilled and discretionary decision making	1	61	0	0	0	20	0	0	0	0	82
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL PERMANENT</b>	1	68	0	4	0	28	0	6	0	0	107
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	1	68	0	4	0	28	0	6	0	0	107

Note: A=Africans, C=Coloureds, I=Indians and W=Whites

- Municipal Manager appointed on 11 June 2009
- Head of Corporate Services appointed on 1 July 2009
- Head of Infrastructure Services appointed on 1 July 2009
- Chief Financial Officer – the filling of this position has been identified as a priority in the turnaround strategy of the municipality. The vacancy was advertised recently and an appointment will be made during the 2010/11 financial year.

## HANDS-ON TECHNICAL CAPACITY TO MUNICIPALITIES BY DBSA & SECTOR DEPARTMENTS

- During a Provincial Assessment session in April 2008 the IDP of KHM received a very poor rating of 20% overall. As a result of this the municipality entered into discussions with officials from the IDP unit of the Department of COGHSTA and it was decided to start with a new IDP process in KHM. The process commenced in September 2008 with hands-on support from the Department. Even though the new IDP was not completed by May 2009, the draft received an average rating of 60% during the 2009 provincial assessment.
- Provincial Treasury has supported us during the year with our corrective measures and very good support has also been received from the Department of COGHSTA with both our recovery measures as well as our IDP process.

## SKILLS DEVELOPMENT AND TRAINING

- ❑ The WSP was submitted on 2 July 2010, however, the due date was 30 June 2010. It was dispatched in time per courier, but the courier had mechanical problems, which resulted in the late delivery of the document. We have a letter from the courier company confirming the reasons for late submission.

## EMPLOYMENT EQUITY PLANS & IMPLEMENTATION REPORTS

- The Employment Equity Plan is revised and submitted to the departments of Labour and COGHSTA every two years.
- The previous report for the period 2007 – 2009 was submitted on 12 February 2010 to Corné Janse van Rensburg (Office of the Premier) from Northern Cape Provincial Government.

## COMMUNICATION STRATEGY & PLANS

- An External Communication Strategy was also put in place to promote active communication between Council and the public. It has been proven that an informed public is a satisfied public.
- Also refer to Chapter 6 (Public Participation).

## ORGANISATIONAL STRUCTURES, REVIEWS & APPOINTMENTS (SINCE THE MTAS)

- Chief Financial Officer – the filling of this position has been identified as a priority in the TAS of the municipality. The vacancy was advertised recently and an appointment will be made during the 2010/11 financial year.
- Internal Audit Function established 1 July 2010.
- A Budget Office and a Supply Chain Management Office was established on 1 July 2010 and staff appointed.

# CHAPTER 3

## BASIC SERVICE DELIVERY

### CHALLENGES FACED BY THE MOST POVERTY STRICKEN WARDS

- *High rate of teenage pregnancies*
- *Increase in drug and alcohol abuse*
- *HIV/AIDS*
- *Education and literacy*
- *Lack of basic life skills*
- *Increase in crime*
- *Tuberculoses*
- *Domestic violence*
- *High unemployment rate*

### SERVICE DELIVERY CHALLENGES FACED BY THE MUNICIPALITY

- With reference to the provision of basic services (water, electricity and sanitation) the municipality does not face any serious challenges as all households in the municipality receive basic services such as electricity, water and sanitation.
- The major challenge is to address the housing backlogs in all three towns as well as the upgrading of the electricity reticulation network in Fraserburg.

## BASIC SERVICE DELIVERY PROJECTS

(Extracted from IDP)

### 5.4 ROADS AND INFRASTRUCTURE

Project NR	Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo	Funding secured	Council Approval Date
5.4.1	Eradicated of Prosopis trees	All wards	09/10	R 1 300 000, 00	EPWP	Implemented	YES	25 JUNE 2009
5.4.2	Upgrade of Bergstreet	Williston	09/10	R 650 890, 00	EPWP	Waiting for Funds		25 JUNE 2009
5.4.3	Upgrade of Streets	All wards	09/10	R 6 000 000, 00	EPWP	Implemented	YES	25 JUNE 2009
5.4.4	Upgrade Major Roads between wards	All wards	09/10	R 140 000 000, 00	EPWP	Refer to District IDP		25 JUNE 2009
5.4.5	Cleaning & Greening	All Towns	09/10	R 500 000, 00	EPWP	Waiting for funds		25 JUNE 2009

### 5.5 STORMWATER

Project NR	Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo	Funding secured	Council Approval Date
5.5.1	Stormwater System	Sutherland	09/10	R 3 500 000, 00	MIG	Planning	NO	25 JUNE 2009
5.5.2	Stormwater System	Fraserburg	09/10	R 3 500 000, 00	MIG	Planning	NO	25 JUNE 2009
5.5.3	Stormwater System	Williston	09/10	R 3 500 000, 00	MIG	Planning	NO	25 JUNE 2009

## 5.6 CEMETERIES

Project NR	Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo	Funding secured	Council Approval Date
5.6.1	EIA	Williston	09/10	R 80 000, 00	MIG	Planning		25 JUNE 2009
5.6.2	EIA	Fraserburg	09/10	R 80 000, 00	MIG	Planning		25 JUNE 2009

## 5.7 REFUSE REMOVAL

Project NR	Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo	Funding secured	Council Approval Date
5.7.1	Licensing and upgrading of site	Williston	09/10	R 750 000, 00	MIG	Planning		25 /06/ 2009
5.7.2	Upgrading of site	Fraserburg	09/10	R 500 000, 00	MIG	Planning		25 /06/ 2009
5.7.3	Licensing and upgrading of site	Sutherland	09/10	R 750 000, 00	MIG	Planning		25 /06/ 2009

## 5.8 ELECTRICITY

Project NR	Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo	Funding secured	Council Approval Date
5.8.1	Public lighting (downward facing lights to avoid light pollution)	Williston	09/10	R 2 500 000, 00	MIG	Planning		25 /06/ 2009
5.8.2	Public lighting (downward facing lights to avoid light pollution)	Fraserburg	09/10	R 2 500 000, 00	MIG	Planning		25 /06/ 2009
5.8.3	Public lighting (downward facing lights to avoid light pollution)	Sutherland	09/10	R 90 000, 00	NDM	Awaiting Funding		25 /06/ 2009



## 5.9 SPORT AND RECREATIONAL FACILITIES AND SERVICES

Project NR	Ward	Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo	Funding secured	Council Approval Date
5.9.1	1.	Amandelboom Sport Facility	Williston	09/10	R 3 363 000, 00	MIG	Awaiting funding		25 /06/ 2009
5.9.2	2.	Ammerville Sport Facility	Fraserburg	09/10	R 3 534 000, 00	MIG	Awaiting funding		25 /06/ 2009
5.9.3	3.	Sports Festivals	Rural	09/10	R 150 000, 00	NLDTF, Rural Development	To be planned		25 /06/ 2009
5.9.4	4.	Rebelskop Sport Facility	Sutherland	09/10	R 4 104 000, 00	MIG	Awaiting funding		25 /06/ 2009
5.9.5	5.	Upgrade of Sport Facility K-H	All Wards	09/10	R 7 000 000, 00	NLDTF	Awaiting funding		25 /06/ 2009

# CHAPTER 4

## LOCAL ECONOMIC DEVELOPMENT

### SPECIAL FOCUS ON LED

- ❑ In the vision of Council it is stated that KHM must be an economical growth node and Council must create an environment that will enhance economic development with special focus on poverty alleviation and the creation of direct and indirect job opportunities. Special focus will also be placed on the development of life skills of people, infrastructure and education.

### ALIGNMENT WITH PROVINCIAL IDP AND LED STRATEGIES

- ❑ The LED strategies of Council is directly aligned with the provincial growth and development strategies with special reference to the following:
  - to maintain economic growth;
  - to address the unemployment rate;
  - to reduce poverty ;
  - to improve literacy;
  - to provide housing and proper water and sanitation services;
  - to reduce crime;
  - to redistribute agricultural land to pdi's;
  - to provide adequate infrastructure .

### HUMAN RESOURCE CAPACITY

- ❑ Prior to the 2009/10 financial year the lack of a dedicated staff structure resulted in a weak performance in IDP/LED initiatives and matters.
- ❑ In order to provide HR capacity, Council revised its organogram and on 1 July 2009 an IDP Manager as well as a LED Manager was appointed.

## THE DEVELOPMENTAL STRATEGIES OF COUNCIL HAVE MANIFESTED IN VARIOUS PROJECTS WHICH ARE LISTED BELOW

(Extracted from IDP)

Project NR	Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo	Funding secured	Council Approval Date
5.10.1	Museum Upgrade	Williston	09/10	R 500 000, 00	NLDTF, Arts, Tourism	To be Planned		25 /06/ 2009
5.10.2	Construction of Corbel House	Williston	09/10	R 580 000, 00	NLDTF, Tourism	To be Planned		25 /06/ 2009
5.10.3	Protection for paleo Surface	Fraserburg	09/10	R 1 000 000, 00	DST, Arts, NLDTF	Planning		25 /06/ 2009
5.10.4	Upgrade museum	Fraserburg	09/10	R 1 000 000, 00	NLDTF, Arts, Tourism	Planning		25 /06/ 2009
5.10.5	Stage and amphitheatre	Fraserburg	09/10	R 195 000, 00	KHM, NLDTF	To be Planned		25 /06/ 2009
5.10.6	Shuttle service	All wards	09/10	R 400 000, 00	DST, Arts, NLDTF	To be Planned		25 /06/ 2009
5.10.7	Agricultural tourism route Feasibility Study	Rural	09/10	R 150 000, 00	NLDTF, Arts, Tourism, Skeppies	B-Plan submitted		25 /06/ 2009
5.10.8	Edu-tourism route (geology, paleontology, astronomy, biology)	Rural	09/10	R 500 000, 00	KHM, NLDTF	To be Planned		25 /06/ 2009
5.10.9	Williston Nature Reserve	Williston	09/10	R140 000, 00	Skeppies, NLDTF	Awaiting funding		25 /06/ 2009

5.10.10	Upgrade of learner hostel facilities	Sutherland	09/10	R 1 000 000, 00	NRF	Completed	YES	25 /06/ 2009
5.10.11	Community computer training centre for K-H	Sutherland	09/10	R 1 500 000, 00	NRF	Implementa-tion	Yes	25 /06/ 2009
5.10.12	Outdoor community recreational facility	Sutherland	09/10	R 245 000, 00	KHM, NLDTF	To be planned		25 /06/ 2009
5.10.13	Renovation of tourism office	Sutherland	09/10	R 80 000, 00	KHM, Tourism	Planning		25 /06/ 2009
5.10.14	Tourism Marketing (Including brochures)	All wards	09/10	R 500 000, 00	Tourism, NCTA, NDM	Seeking funds		25 /06/ 2009

Project NR	Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo	Funding secured	Council Approval Date
5.10.15	Astronomy themed miniature golf	Sutherland	09/10	R 150 000, 00	NLDTF	To be planned		25 /06/ 2009
5.10.16	Walking with ancestors	All wards	09/10	R 11 000 000, 00	DTEC, KHM, NCTA	Awaiting funding		25 /06/ 2009
5.10.17	Tourism training and awareness	All wards	09/10	R 50 000, 00	DTEC, DOL, TEP	Seek funding		25 /06/ 2009
5.10.18	Karoo Highlands Tourism Route	All Wards	09/10	R 250 000,00	Open Africa	In Process	YES	

5.10.19	Establishment of Tourism Associations	Fraserburg /Williston/ Sutherland	09/10	N / A	KHM	Completed		
5.10.20	Develop and assist Festivals in KHM	All Wards	09/11	R 250 000, 00	DAC, SAAO, NLDTF, NCTA, KHM	In Process		
5.10.21	AIDS – Awareness & Prevention	All Wards	09/11	R 500 000, 00	NACOSA,DSW, NDM, DOH, Drop In Centre (Williston)	In Process		
5.10.22	Social Development Programmes	All Wards	09/11	R 2 000 000, 00	Local NGO's, Dept of Welfare, DOL, NDM	To be planned		
5.10.23	Develop By-laws with regard to Social Development	All Wards	09/11	N/A	N/A	Seeking assistance		
5.10.24	Develop & Support Sport Programmes and Organizations	All Wards	09/11	R1 500 000,00	NLDTF, DSAC	To be Planned		
5.10.25	Indigenous Plants Poster	All wards	09/11	R 100 000, 00	Skeppies, CI, DWAF	Planning		
5.10.26	Karoo Stars Indigenous Knowledge Poster	All wards	09/11	R 100 000, 00	SALT, SKA, NRF	To be Planned		
5.10.27	KHM Recipe Book	All wards	09/10	R 100 000, 00	SAAO, KHM	Awaiting funding		
5.10.28	Spinning & Weaving	Williston	09/11	R 200 000, 00	Drop in Centre (Williston)	In Process		
5.10.29	Tourism Signage	All Wards	09/11	R 600 000, 00	NDM, KHM, DTEC, NCTA	Planning		

Project NR	Project Name	Location	Target Dates	Estimated Costs	Possible Funders	Status Quo	Funding secured	Council Approval Date
5.10.30	Develop a LED Strategy	All wards	09/11	R500 000, 00	DBSA	Awaiting funding	Yes	25/06/09
5.10.31	Establish LED steering committees	All wards	09/11	N/A	N/A	Completed		
5.10.32	Develop a crime prevention strategy	All wards	09/11	N/A	N/A	Seeking Assistance		
5.10.33	Gateway to the universe – MeerKAT & SKA framework (Phase II)	All wards	09/11	R 60 000, 00	KHM, SKA	Planning		
5.10.34	Develop SMME infrastructure	All wards	09/11	R 3 000 000, 00	MIG, DBSA	To be planned		
5.10.35	Feasibility study for FET college in science & technology for KHM	All wards	09/11	R 250 000, 00	DST, Education, IDT	To be planned		
5.10.36	Develop support base for health services in KHM	All wards	09/11	N/A	N/A	In Process		

## STATUS OF ECONOMIC AND SOCIAL INVESTMENT IN KHM

- There has been an increase in the level of economic and social investment in KHM. The objectives to stimulate our local economy are clearly outlined in our IDP. We are working on developing a LED Strategy that will focus in particular on increasing the level of economic and social investment.

# CHAPTER 5

## FINANCIAL VIABILITY AND MANAGEMENT

This Key Performance Area is without any doubt the most important one, since no business or organization can fulfill its obligations without financial resources and sound financial management.

The performance of Karoo Hoogland during the year under review must be benchmarked against the performance during the previous financial years. In this regard I wish to refer back to Chapter One (OVERVIEW OF THE PERFORMANCE DURING THE PREVIOUS FINANCIAL YEAR 2008/09) of this report. I specifically need to highlight the fact that during the latter part of 2008/09 all focus was on the implementation of the Recovery Plan with specific goals to address the problems experienced in the past.

While the 2008/09 years saw a major improvement in both the Financial results and the Audit opinion, 2009/10 saw the culmination of the efforts of the last 30 months. The financial situation improved again but the main improvement can be seen in the administration responsibilities as set out in the Municipal Finance Management Act (MFMA). The effort is easily visible in that the number of items in the audit report has declined from 268 (2007/08) to 22 (2008/09) and then to only 2 in 2009/10. These issues are addressed later in the report.

Due to the effective credit control measures implemented the cash reserves of the Municipality have improved drastically. The increase in Debtors has reduced and apart from the account of the Auditor –General, all creditors are paid within 30 days.

## ACHIEVEMENTS

- Early in 2009 a Credit control office was established in the municipality and a dedicated credit control officer was appointed.
- The cashflow and overall financial position of KHM has improved significantly.
- The computer system of the municipality has been upgraded to ensure that proper service accounts are generated.
- Since October 2008 all financial reports required by the MFMA are being generated and submitted timeously on a monthly basis to National Treasury.
- The 2009/10 Financial Statements were compiled timeously and submitted to the AG before 30 September 2010.
- A SDBIP was implemented with the support of Provincial Treasury.
- A Budget and Treasury Office was established as required by the MFMA.
- An Internal Audit unit was established as required by the MFMA.
- The Audit opinion has improved from a disclaimer to a qualified opinion with only two qualifications.

The Financial Statements and AG Report, as well as our Municipal Manager's comments on the AG Report, are enclosed in terms of Section 121 (3) of the MFMA.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
30 JUNE 2010



**REPORT OF THE AUDITOR – GENERAL  
ON THE FINANCIAL STATEMENTS AND  
PERFORMANCE INFORMATION OF KHM  
FOR THE YEAR ENDED 30 JUNE 2010**

**SUMMARIZED COMMENTS OF THE  
MUNICIPAL MANAGER ON THE  
REPORT OF THE AUDITOR – GENERAL  
FOR THE YEAR ENDED 30 JUNE 2010**

## **Comments on the report of the AG to the Northern Cape Provincial Legislature and the Council of Karoo Hoogland Municipality on the Financial Statements and performance information of Karoo Hoogland Municipality for the year ended 30 June 2010**

Since 2000 the Municipality has received a Disclaimer as an audit opinion. This means that the Auditor-General is of the opinion that too many errors are evident or too few controls are in place to ensure proper accounting records.

For the first time a Qualified Opinion was expressed which indicate that more reliance can be placed on the records of the Municipality. The basis for the qualified opinion is set out in Par. 7 and 8 of the AG opinion and is addressed as follows:

### **PAR 7. OTHER INCOME**

The reconciliation of the SARS Revenue account refers to the difference in VAT on Creditors to be paid and VAT on Debtors to be received. The Municipality compiled the list of creditors manually on a monthly basis and VAT is paid over as calculated. This, however, differed from the calculation at year end and resulted in an overpayment to the Receiver of Revenue. This calculation will now form part of the computerized system and differences will be eliminated.

### **PAR 8. IRREGULAR EXPENDITURE**

It is extremely difficult for small local authorities to source its products from more than 1 supplier. In most cases only one supplier is available in the jurisdiction area and therefore it is impossible to obtain 3 quotations for a product. Furthermore, the requirement to get a tax clearance certificate from suppliers is not always possible. Large national suppliers such as Game, Incredible Connection and Waltons are not willing to provide tax clearance certificates for individual purchases as it is not part of their cash sales procedure.

**The Report on other Legal and Regularity Requirements as set out in item 13 refers.**

- 14.** The Annual Report for 2009/10 can only be compiled once the mid-year budget report (section 72 of the MFMA) as at 31 December 2010 has been generated.
- 15.** A Performance Audit Committee will be established as required by legislation.

16. As per item 15.
17. The Internal Audit unit was established on 1 July 2010.
18. The Audit Committee was established during the year 2010 / 11
19. The only creditor not paid within 30 days is the Auditor-General – the current outstanding balance accumulated over the last four financial years when the municipality was not in a position to fulfill its financial obligations. The basis for the calculation of the Audit Fee's has been placed in dispute.
20. The Supply Chain Policy is in the process of revision to comply with the provisions of the Supply Chain Management Regulations as contained in the MFMA.
21. As part of the duties of the newly established Internal Audit Unit, a comprehensive risk analysis is currently being undertaken.

It is evident from the above comments that the issues raised by the Auditor General are addressed and it is the opinion of Management that unless new issues are brought to light, an Unqualified Audit can be expected in future. A target to achieve a clean audit report by 2013 was set as part of the Turn Around Strategy. It is envisaged to achieve this target before 2013.

# CHAPTER 6

## GOOD GOVERNANCE AND PUBLIC PARTICIPATION

### WARD COMMITTEES

- Number of Wards: 4 Wards
- Ward Committees functionality:
  - Not functioning effectively.
  - Has been re-established in 2010.
  - They will be trained shortly as the previous training was on too short notice.

### COMMUNITY DEVELOPMENT WORKERS

- CDW's deployed.
- There are 5 CDW's in KHM. Two in Fraserburg, two in Sutherland and one in Williston.
- There is a fairly good relationship with them and they are mainly being utilized to promote communication between Council and the public.

### DISTRICT IGR FORUM FUNCTIONALITY

- Functional – Namakwa District Municipality can provide proof.

### PUBLIC PARTICIPATION

The municipality has made special efforts to enhance communication with the general public through various organized structures. The relationship with organized NGO's such as local ratepayer's associations has improved drastically during the 2009/10 financial year and regular meetings are being held to discuss matters of mutual interest.

### GOVERNANCE PERFORMANCE

- The report of the AG is self-explanatory in terms of the good performance of KHM in the year under review.
- During September 2009 SCOPA has expressed a very positive opinion regarding the state of Local Government in KHM.
- The goals and initiatives of Council to promote and achieve good governance have manifested in the **Turn Around Strategy** which is outlined hereunder:

# MUNICIPAL TURNAROUND STRATEGY



## A. AUDIT REPORT

Priority Turn Around Focal Area	JANUARY2010 ( <i>Current Situation/ Baseline</i> )	TARGET	PROGRESS / JULY 2010
		Target for December 2010 (Changed Situation)	
<b>AUDIT REPORT</b>	<ul style="list-style-type: none"> <li>• GRAP: DEFAULTED ON IMPLEMENTATION DUE DATE 2009, GRAP CONVERSION PROCESS COMMENCED IN JANUARY 2010</li> <li>• INTERNAL AUDIT : NO INTERNAL AUDIT FUNCTION</li> <li>• NO INTERNAL AUDIT COMMITTEE</li> <li>• AUDIT QUERIES : 42 AUDIT QUERIES</li> <li>• COST OF AUDIT (R1,8 MILLION = 8% TARIFF INCREASE) UNAFFORDABLE AND WILL RESULT IN CURTAILING SERVICE DELIVERY</li> </ul>	<ul style="list-style-type: none"> <li>• SOLVE DISCLAIMERS: GRAP CONVERSION &amp; INTERNAL AUDIT COMMITTEE BY 30TH OF JUNE 2010</li> <li>• RESOLVE OTHER QUERIES</li> <li>• APPOINT INTERNAL AUDITERS &amp; INTERNAL AUDIT COMMITTEE</li> <li>• REQUEST NATIONAL TREASURY &amp; COGHSTA ( THE MINISTER) FOR ASSISTANCE WITH REGRADING AND OR SUBSIDISATION OF AUDIT FEES</li> <li>• CONVERSION TO GRAP FORMAT COMPLETED</li> </ul>	<ul style="list-style-type: none"> <li>•GRAP CONVERSION COMPLETED</li> <li>•INTERNAL AUDIT COMMITTEE ESTABLISHED 01/07/2010</li> <li>•INTERNAL AUDIT FUNCTION ESTABLISHED 01/07/2010</li> <li>•NO POSITIVE RESULTS ON THE AUDIT FEES FUNDING</li> <li>•GRAP CONVERSION COMPLETED</li> </ul>

# MUNICIPAL TURNAROUND STRATEGY



## B. COMMUNICATION

Priority Turn Around Focal Area	January 2010 ( <i>Current Situation/ Baseline</i> )	TARGET	PROGRESS
		Target for December 2010 ( <i>Changed Situation</i> )	
COMMUNICATION	<b>INTEGRATION OF ELECTRONIC COMMUNICATION WITHIN THE MUNICIPALITY</b> <ul style="list-style-type: none"> <li>• NO ELECTRONIC LINKS BETWEEN FINANCIAL NODES UPDATING AND INFORMATION HAS TO BE SEND VIA PAPER DOCUMENTATION</li> </ul>	<ul style="list-style-type: none"> <li>• COMPLETION OF LINK BETWEEN TOWNS</li> </ul>	<ul style="list-style-type: none"> <li>•TENDER ISSUED – TO BE AWARDED</li> </ul>
	<b>INTERNAL COMMUNICATION</b> <ul style="list-style-type: none"> <li>• IMPROVE COMMUNICATION INSIDE THE MUNICIPALITY</li> <li>• IMPROVE COMMUNICATION CHANNELS TO COUNCIL</li> </ul>	<ul style="list-style-type: none"> <li>• ESTABLISH GOOD COMMUNICATION CHANNELS WITH COUNCIL</li> <li>• ESTABLISHED GOOD COMMUNICATION WITH STAFF</li> </ul>	<ul style="list-style-type: none"> <li>•IN PROCESS</li> </ul>
	<b>EXTERNAL COMMUNICATION</b> <ul style="list-style-type: none"> <li>• IMPROVE COMMUNICATION TO COMMUNITY IE ACKNOWLEDGE LETTERS, SOLVE ACCOUNT QUERIES</li> </ul>	<ul style="list-style-type: none"> <li>• ESTABLISH A QUATERLY NEWSLETTER REPORTING ON KHM'S SUCCESSES AND PROJECTS</li> <li>• UPDATE WEBSITE</li> <li>• ESTABLISH PROCEDURE FOR LODGING COMPLAINTS</li> </ul>	<ul style="list-style-type: none"> <li>•WEBSITE UPDATED, TO BE ADDRESSES AS PART OF ELECTRONIC LINK</li> </ul>

# MUNICIPAL TURNAROUND STRATEGY



## C. BASIC SERVICE DELIVERY NEEDS

Priority Turn Around Focal Area	January 2010 ( <i>Current Situation/ Baseline</i> )	TARGET	PROGRESS
		Target for December 2010 ( <i>Changed Situation</i> )	
<b>BASIC SERVICE DELIVERY NEEDS</b>	<ul style="list-style-type: none"> <li>• UPGRADING OF ELECTRICITY NETWORK: FRASERBURG (PHASE 1: R2,5 MILLION; PHASE 2: R5 MILLION)</li> <li>• NETWORK OVERLOADED &amp; DANGEROUS</li> <li>• VEHICLE MAINTENANCE: CURRENT VEHICLES ARE OUTDATED AND IN URGENT NEED FOR REPLACEMENT (R1,5 MILLION)</li> </ul>	<ul style="list-style-type: none"> <li>• PHASE 1 OF UPGRADING COMPLETED</li> <li>• PURCHASE THREE ADDITIONAL VEHICLES</li> </ul>	<ul style="list-style-type: none"> <li>• PLAN UPDATED</li> <li>• FUNDING REQUESTED</li> <li>• THREE NEW VEHICLES WERE PURCHASED</li> </ul>



# MUNICIPAL TURNAROUND STRATEGY



## D. PERFORMANCE MANAGEMENT SYSTEM

Priority Turn Around Focal Area	January 2010 ( <i>Current Situation/ Baseline</i> )	TARGET	PROGRESS
		Target for December 2010 ( <i>Changed Situation</i> )	
<b>PERFORMANCE MANAGEMENT SYSTEM</b>	<ul style="list-style-type: none"> <li>• NO ORGANISATIONAL PMS IN PLACE</li> <li>• PMS FOR SECTION 57 MANAGERS TO BE FINALISED</li> </ul>	<ul style="list-style-type: none"> <li>• TO IMPLEMENT ORGANISATIONAL PMS BY DECEMBER 2010</li> <li>• PMS FOR SECTION 57 MANAGERS TO BE SIGNED</li> </ul>	<ul style="list-style-type: none"> <li>• COGHSTA TO ASSIST WITH ORGANISATIONAL PMS</li> <li>• PMS STRUCTURE HAS BEEN DEVELOPED, STILL TO BE ALIGNED WITH IDP AND BE SIGNED</li> </ul>

# MUNICIPAL TURNAROUND STRATEGY



## E. SITUATION WITH SKA

Priority Turn Around Focal Area	January 2010 (Current Situation/ Baseline)	TARGET	PROGRESS
		Target for December 2010 (Changed Situation)	
<b>SITUATION WITH SKA</b>	<ul style="list-style-type: none"> <li>• ALL WIRELESS COMMUNICATION HALTED, DIFFERENT INFORMATION FROM DIFFERENT ENTITIES, NO RESPONSIBLE PERSON FOR COMMUNICATION THAT HAS BEEN COMMUNICATED TO COMMUNITY</li> <li>• SECURITY PROBLEM FOR FARMERS (WAS DEPENDANT ON CELLPHONES WITH TELKOM LINES NOT BEING MAINTAINED, NOW NO MORE COMMUNICATION, ALSO AFFECTING RADIO COMMUNICATION)</li> <li>• HAMPERING TOURISM</li> <li>• COSTLY INTEGRATION BETWEEN TOWNS</li> </ul>	<ul style="list-style-type: none"> <li>• RESOLVE LEGAL IMPLICATIONS REGARDING SKA</li> <li>• REINSTATE RADIO COMMUNICATION BETWEEN FARMERS &amp; WORKERS</li> <li>• 2010 SOCCER VISITORS REQUIRE COMMUNICATION CHANNELS</li> <li>• EXPLORE ALTERNATIVE SOURCES OF FUNDING FOR ADDITIONAL COST INVOLVED IN INTEGRATION OF TOWNS</li> </ul>	<ul style="list-style-type: none"> <li>• COUNCIL ARE NOW REPRESENTED ON PROVINCIAL SKA FORUM</li> <li>• INTERACTION BETWEEN SKA AND LOCAL COMMUNITY HAS IMPROVED</li> </ul>

# MUNICIPAL TURNAROUND STRATEGY



## F. APPOINTMENT OF CFO

Priority Turn Around Focal Area	January 2010 ( <i>Current Situation/ Baseline</i> )	TARGET	PROGRESS
		Target for December 2010 ( <i>Changed Situation</i> )	
APPOINTMENT OF CFO	<ul style="list-style-type: none"> <li>• POSITION VACANT, SUITABLE PERSONS NOT PREPARED TO WORK IN RURAL AREAS</li> </ul>	<ul style="list-style-type: none"> <li>• APPOINTED CFO</li> </ul>	<ul style="list-style-type: none"> <li>• INTERVIEWS HELD, BUSY NEGOTIATING WITH SUCCESSFUL CANDIDATE</li> </ul>

# MUNICIPAL TURNAROUND STRATEGY



## G. WARD PLAN

Priority Turn Around Focal Area	January 2010 ( <i>Current Situation/ Baseline</i> )	TARGET	PROGRESS
		Target for December 2010 ( <i>Changed Situation</i> )	
<b>WARD PLAN</b>	<ul style="list-style-type: none"> <li>• TRAINING FOR WARD COMMITEES NEEDED</li> </ul>	<ul style="list-style-type: none"> <li>• COMPLETE TRAINING</li> <li>• ESTABLISH WARD 1 COMMITTEE</li> </ul>	<ul style="list-style-type: none"> <li>• TRAINING ARRANGED</li> </ul>

# CHAPTER 7

## CONCLUSION

In Chapter 7 of the 2008/09 Annual Report it was mentioned that there were two major challenges which still faced the municipality at the end of the 2008/09 financial year.

These two challenges were:

- To convert to GAMAP/GRAP and the compilation of an Asset Register; and
- To implement an Internal Audit Function.

The challenges mentioned above, were the main reasons for the “Disclaimer Opinion” of the AG at the end of the 2008/09 financial year.

During 2009/10 all endeavours were made to address the challenges and the success which we achieved in this regard, resulted directly to the “Qualified Opinion” of the AG. This achievement is enough to describe 2009/10 as a successful year in the history of KHM.

On a more political level our municipality has to face the dynamics of Local Government especially in the context of the forthcoming municipal elections. The foundation of KHM is without doubt secure, and the newly elected Council should be proud to take control of this institution. The current Council should be applauded for their political guidance in achieving the success of 2009/10.